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MEMORANDUM FOR: Assistant Deputy Director/Intelligence      DATE: 19 March 1953

THRU                   : Assistant Director, Research and Reports *020*  
                          Chief, Analysis Division, ORR *7NS*

SUBJECT               : Additional material requested concerning reliability  
                          of ORR estimates.

1. In conformity with your verbal request of 17 March 1953, additional material concerning the relative degrees of confidence for ORR estimates of production in the several sectors of Soviet industrial activity are presented. Representative commodities and services have been selected with a view to both covering the whole pattern of production and presenting items with varying degrees of confidence.

2. A relative reliability scale has been devised with ranges of  $\leq 5$  percent,  $\leq 10$  percent,  $\leq 25$  percent, and greater than  $\leq 25$  percent. In the  $\leq 5$  percent category fall estimates of homogeneous commodities and services for which either absolute postwar plan data exist, or estimates can be checked by serial number analysis. The  $\leq 10$  percent group contains those items for which relative plan information is available, for which deductions can be made from plan data on items of close technical coefficients, or for which aggregations have been made on the basis of exhaustively detailed information. In the  $\leq 25$  percent group are estimates based on studies of requirements, those aggregated from non-exhaustive basic detail (plant studies), and those representing components computed as constant percentages of a known aggregate over a period in which the percentages vary. The greater than  $\leq 25$  percent error group contain estimates of items for which current information is weak or non-existent. For the most part these are commodities and services in which ORR has not yet done extensive research.

3. In the  $\leq 5$  percent category are the following commodities and services: electric power, coal, POL, raw steel, and rolled steel. Rubber tires could also be included on the basis of serial number analysis.

4. In the  $\leq 10$  percent group the following items fall: iron ore, aluminum, lead, zinc, copper, antifriction bearings, trucks, tractors, steam locomotives, tractor-drawn seed drills, coal mining machinery, synthetic rubber, sulfuric acid, bricks, cement, sawn lumber, wheat, cotton, cattle, sugar beets, and other agricultural products, meat, fish catch, cotton yarn, boots and shoes, railway freight traffic, and water freight traffic.

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5. In the group with a  $\pm$  25 percent error are included: POL products (aviation gas, jet fuel), rolled steel products (structural shapes, sheet steel), molybdenum, nickel, tin, machine tools, metalworking machinery, electrical machinery (turbines, generators), electronic equipment (electron tubes), coke-chemicals, and wood products.

6. In the highly conjectural greater than  $\pm$  25 percent margin of error class would be the following: titanium, gold and silver ores, nuclear fissionable ores, chemical processing equipment, petroleum drilling and extraction equipment, construction machinery (except excavators), and stockpiling activities.

7. The above evaluation of estimate reliabilities has been based on materials submitted for NIE-65. It is believed that the degree of error on many of the items in the fourth category can be reduced to  $\pm$  25 percent when research is undertaken. Also further research may lower the margin of error to  $\pm$  10 percent on some commodities now in the  $\pm$  25 percent group. Further expansion of the  $\pm$  5 percent error category awaits either more definite information disclosure by the Russians or further research of the serial number analysis type.

  
Capabilities Branch, D/A

A/C/RR: SHC:jrk

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Problem Directives - Individual Reports Nos. 380 to 383

SUBJECT: COMPARISONS OF ECONOMIC POTENTIALS FOR WAR

REQUIREMENT: Each student assigned this subject will prepare and submit an individual report in which he will analyze the problems inherent in the measurement of economic potential for war, review the progress which has been made in developing a method of comparative solution of the potentials of opposed blocs of nations, and propose his suggestions for approaches to a solution of the problem of comparing the Free World and the Soviet Bloc.

INSTRUCTIONS: The study preparatory to the writing of the report should include a consideration of the following:

1. The economic factors which contribute to national power and to the power of groups of nations.
2. The problems met in analyzing the economic factors and integrating their effects.
3. The effects of economic change over time upon the problem.
4. The various approaches which have been made by individuals and government agencies toward a solution, and their effectiveness.

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